



RESOLUTION
(17- 2014)

A RESOLUTION OF THE FAIRVIEW CITY COUNCIL ADOPTING FINANCIAL GUIDELINES, GENERAL FUND ENDING FUND BALANCE POLICY, AND EXCESS RESERVE POLICY TO GUIDE BUDGETING PROCESSES.

WHEREAS, the City Council desires to adopt financial and fund balance policies to guide budgeting processes; and

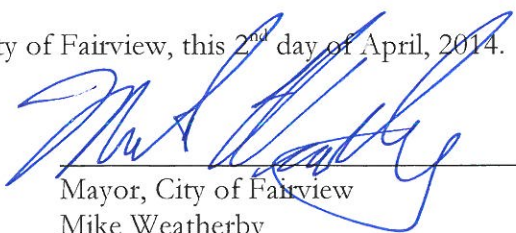
WHEREAS, the City Council desires to adopt these policies in recognition that maintaining a reserve balance is an essential part of the City's financial management; and

WHEREAS, the City Council recognizes these policies allow for reserves to deal with unanticipated adverse financial events, accumulate resources for opportunities to undertake special projects, and to save for future capital needs and opportunities.

NOW, THEREFORE, BE IT RESOLVED BY THE FAIRVIEW CITY COUNCIL AS FOLLOWS:


- Section 1** The Fairview City Council hereby adopts the City of Fairview Financial Guidelines attached hereto as Exhibit A.
- Section 2** The Fairview City Council hereby adopts the City of Fairview General Fund Ending Fund Balance Policy attached hereto as Exhibit B.
- Section 3** The Fairview City Council hereby adopts the City of Fairview Excess Reserves Policy attached hereto as Exhibit C.
- Section 4** This resolution is and shall be effective from and after its passage by the City Council.

Resolution adopted by the City Council of the City of Fairview, this 2nd day of April, 2014.



Mayor, City of Fairview
Mike Weatherby

ATTEST



City Recorder, City of Fairview
Devree Leymaster

EXHIBIT A



City of Fairview Financial Guidelines

1. The City shall maintain a General Fund *Emergency Contingency* funded at a minimum of 5 percent of General Fund operating expenditures. This contingency is for unexpected expenditures that staff could not have known about at the time the budget was prepared.
2. The City shall maintain a General Fund *Operating Fund Balance* funded at a minimum of 25 percent of operating expenditures. This will help maintain the minimum cash flow necessary to ensure the City will not need to issue Tax Anticipation Notes (short term borrowing).
3. The City shall budget all funds designated as Excess Reserves as *Excess Reserves Contingency*.
4. The City shall recognize that the beginning fund balance is a one-time, non-recurring resource. To the extent feasible, one-time resources will be applied toward one-time expenditures. It also should help to ensure a stable ending fund balance.
5. The City shall, to the extent feasible, balance current (recurring) revenues and current (recurring) expenditures. Fund balance shall not be used to pay for ongoing revenues and expenditures.
6. The City will maintain a policy of aggressively collecting accounts receivable whereby after City staff has exhausted all in-house collection alternatives, accounts are assigned to a private collection agency.
7. The City shall review utility rates every two years. Fees will be set to recover the total cost associated with the service provided.
8. The City will maintain its infrastructure at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. It shall be the goal of the City not to defer maintenance of buildings and infrastructure.
9. Equipment replacement costs for vehicles and public works equipment will be charged all funds on a uniform and equitable basis. The amount will be based on the replacement cost of each fund's capital assets.

EXHIBIT B



City of Fairview General Fund Ending Fund Balance Policy

Maintaining a reserve is an essential part of the City of Fairview's financial management. To accomplish this, the Fairview City Council has established policies to provide for reserves to deal with unanticipated adverse financial events, accumulate resources for opportunities to undertake special projects, and save for future capital needs and opportunities. To that end, the City Council has established balances that reflect these goals.

1. The City will maintain sufficient contingency and reserves for the ability to:
 - a. Mitigate short-term volatility in revenues
 - b. Mitigate short-term economic downturns
 - c. Absorb unanticipated operating needs that arise during the fiscal year but were not able to be anticipated during the budget process
 - d. Meet requirements for debt reserves
 - e. Absorb unexpected claim of litigation settlements
 - f. Sustain city services in the event of an emergency
 - g. Meet operating cash flow requirements before the collection of property taxes, grant proceeds and other operating revenues in order to prevent the need for issuing Tax Anticipation Notes
2. General Fund Reserves- the City will maintain General Fund Reserves as follows:
 - *Emergency Contingency* – amount equal to a minimum 5% of operating expenses for fiscal year
 - *Operating Fund Balance*- amount equal to a minimum 25% of operating expenses for fiscal year (3 months)
 - *Excess Reserves Contingency*- any funds beyond those identified above

The City will use *Excess Reserves Contingency* on a one-time or temporary basis for purposes as prioritized in the Excess Reserve Policy below. In the event that *General Fund Operating Ending Fund Balance* or *Emergency Contingency* decrease to amounts below the levels established by this policy, the City will develop a plan to restore reserves to the required levels.

Definitions:

Emergency Contingency:

Funds which are utilized for unforeseen expenses that may arise during the fiscal year. Per Oregon Budget Law, these funds may only be utilized by formal action of the council (resolution) in accordance with all notice requirements as detailed in the Oregon Local Budget Law Handbook.

Operating Fund Balance:

Minimum reserve balance to be maintained in the ending fund balance.

Excess Reserves Contingency:

Any amounts above the grand total of Contingency plus Operating Fund Balance.

EXHIBIT C



CITY OF FAIRVIEW EXCESS RESERVES POLICY

After the conclusion of each fiscal year, the Finance Director or designee will report on the audited year-end financial reports. Should the prior year annual General Fund resources exceed expenditures and encumbrances, a year-end operating surplus shall be reported. Any portion of the year-end operating surplus that contributes to the General Fund balances, in excess of established fund balance policies, shall be deemed “excess reserves” and subsequently available for allocation in the following priority order:

1. Re-appropriate to offset one-time shortfalls contributing to budget-year operating expenditures.
3. Replenish any other established fund balance targets or designations, so as to meet target levels, including debt reduction schedules.
4. Transfer to capital program funds and/or departments for appropriation to capital improvement program budget and/or deferred maintenance needs in accordance with improvement plans and replacement schedules.
5. Appropriate for one time expenditures or expenses which do not result in recurring operating costs.

Use or allocation of excess funds is subject to approval by Council Resolution and notice requirements as stipulated by Oregon Budget Law.